

**REPORT OF THE AUDIT OF THE
MCCRACKEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCCRACKEN COUNTY SHERIFF

**For The Year Ended
December 31, 2011**

The Auditor of Public Accounts has completed the McCracken County Sheriff's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$413,192 from the prior year, resulting in excess fees of \$1,611,066 as of December 31, 2011. Revenues decreased by \$463,100 from the prior year and expenditures decreased by \$49,908.

Report Comments:

- 2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Reconciliations, Ledger Postings, And Financial Statement Preparation
- 2011-02 The Sheriff Should Require The Petty Cash Fund Be Properly Reconciled
- 2011-03 Excess Fees Were Overpaid By \$26,216 For Calendar Year 2011 Due To Incorrect Bank Reconciliations
- 2011-04 The Sheriff Should Make Deposits Daily
- 2011-05 The McCracken County Fiscal Court Failed To Set The Sheriff's Maximum Salary Order As Required By KRS 64.530

Deposits:

The Sheriff's deposits as of December 7, 2011 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,355,985

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Van Newberry, McCracken County Judge/Executive
The Honorable Jon Hayden, McCracken County Sheriff
Members of the McCracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of McCracken County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2012, on our consideration of the McCracken County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Van Newberry, McCracken County Judge/Executive
The Honorable Jon Hayden, McCracken County Sheriff
Members of the McCracken County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Reconciliations, Ledger Postings, And Financial Statement Preparation
- 2011-02 The Sheriff Should Require The Petty Cash Fund Be Properly Reconciled
- 2011-03 Excess Fees Were Overpaid By \$26,216 For Calendar Year 2011 Due To Incorrect Bank Reconciliations
- 2011-04 The Sheriff Should Make Deposits Daily
- 2011-05 The McCracken County Fiscal Court Failed To Set The Sheriff's Maximum Salary Order As Required By KRS 64.530

This report is intended solely for the information and use of the Sheriff and Fiscal Court of McCracken County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

October 19, 2012

MCCRACKEN COUNTY
JON HAYDEN, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

Federal Grant		\$	12,000
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			147,704
State Fees For Services:			224,569
Circuit Court Clerk:			
Sheriff Security Service	\$	15,495	
Fines and Fees Collected		<u>482</u>	15,977
Fiscal Court			116,826
County Clerk - Delinquent Taxes			65,894
Commission On Taxes Collected			987,669
Fees Collected For Services:			
Auto Inspections		44,640	
Accident/Police Reports		1,852	
Serving Papers		82,581	
Carrying Concealed Deadly Weapon Permits		14,963	
Arrest Fees		4,840	
Fingerprinting and Photos		4,932	
Mental Health Transports		<u>5,957</u>	159,765
Other:			
Sheriff Add on Fees		77,525	
Miscellaneous		<u>942</u>	78,467
Interest Earned			<u>2,500</u>
Total Revenues			1,811,371

The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY
 JON HAYDEN, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Expenditures

Operating Expenditures:

Other Charges-

Deputy Fees	\$ 5,116
Refunds	526
Carrying Concealed Deadly Weapon Permits	3,600
Jury Expense	177
Prisoner Transport	27,832
Miscellaneous	1,218
Security Fees	37,278
Tax Bill Postage	9,567
Grant Passed Through To Fiscal Court	<u>12,000</u>

Total Expenditures	<u>\$ 97,314</u>
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Net Revenues	1,714,057
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Less: Statutory Maximum	<u>99,312</u>
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Excess Fees	1,614,745
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Less: Training Incentive Benefit	<u>3,679</u>
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Excess Fees Due County for 2011	1,611,066
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Payments to Fiscal Court - Monthly	<u>1,637,282</u>
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Balance Due From Fiscal Court at Completion of Audit	<u><u>\$ (26,216)</u></u>
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The accompanying notes are an integral part of this financial statement.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The McCracken County Sheriff participates in a fee pooling system. Fee officials who participate in fee pooling deposit all funds collected into their official operating account. The funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent for the first six months and 35.76 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 2. Employee Retirement System (Continued)

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The McCracken County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The McCracken County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 7, 2011, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$1,355,985

Note 4. Drug Forfeiture Account

The McCracken County Sheriff maintains a Drug Forfeiture Account. The account is funded by court-ordered forfeitures of money or funds received from the sale of forfeited assets, interest received on deposits of forfeiture funds, as well as certain court ordered contributions. The funds are to be used for various law-enforcement operation, equipment, and education. As of January 1, 2011, the Drug Account had a balance of \$129,155. During the year, receipts from forfeitures, contributions, and interest totaled \$65,812, and disbursements of \$91,985 were made for law-enforcement equipment and support. A balance of \$102,982 remained in the Drug Account at December 31, 2011.

Note 5. Federal Drug Account

The McCracken County Sheriff maintains a Federal Drug Account for its federal equitable sharing program. The account is funded by "federally forfeited cash, property proceeds, and any interest earned thereon, which are equitably shared with participating law enforcement agencies. The funds shall be used for law enforcement purposes in accordance with the statutes and guideline that govern equitable sharing." As of January 1, 2011, the fund had a balance of \$4,857. During the year, receipts totaled \$21, and no disbursements were made. The account had a balance of \$4,878 as of December 31, 2011.

Note 6. Special Deputy Fund

The McCracken County Sheriff opened a Special Deputy Account at the end of calendar year 2008. This account is funded by donations made to the McCracken County Sheriff's office. The funds are to be used for purchasing various equipment that is needed. As of January 1, 2011, the account had a balance of \$1,600. During the year, receipts totaled \$1,000, and no disbursements were made. A balance of \$2,600 remained in the Special Deputy Account at December 31, 2011.

MCCRACKEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 7. Evidence Holding Account

The McCracken County Sheriff maintains an Evidence Holding Account. Receipts for this account, is interest earned on deposits, and all monies confiscated from theft or drug arrests. These funds are disbursed only by a court order. As of January 1, 2011, the fund had a balance of \$31,960. During the year, receipts totaled \$102,263, and \$10,350 was disbursed by a court order. A balance of \$123,873 remained in the Evidence Holding Account at December 31, 2011.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Van Newberry, McCracken County Judge/Executive
The Honorable Jon Hayden, McCracken County Sheriff
Members of the McCracken County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the McCracken County Sheriff for the year ended December 31, 2011, and have issued our report thereon dated October 19, 2012. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the McCracken County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2011-01, 2011-02, 2011-03 in the accompanying comments and recommendations to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCracken County Sheriff's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2011-04 and 2011-05.

The McCracken County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the McCracken County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

October 19, 2012

COMMENTS AND RECOMMENDATIONS

MCCRACKEN COUNTY
JON HAYDEN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2011

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties Over Reconciliations, Ledger Postings, And Financial Statement Preparation

Our review and evaluation of the Sheriff's internal controls disclosed a lack of adequate segregation of duties. The bookkeeper reconciles the fee bank account, posts receipts and disbursements to the receipts and disbursements ledgers, and prepares financial statements. Good internal controls dictate that these duties be segregated. Documented compensating controls were not in place to offset this control deficiency. The deficiency as described above is a significant deficiency and a material weakness. We make the following recommendations to implement compensating controls:

The Sheriff or another employee who does not have access to bookkeeping records, bank records or statements, and financial statements should periodically:

- Compare the receipts and disbursements ledger to the monthly and quarterly reports and document comparisons.
- Monthly bank reconciliations should be reviewed. Outstanding items should be subsequently cleared. The reviews should be documented.
- Perform occasional surprise cash counts.

Any compensating control implemented should be documented.

Sheriff's Response: The Financial Reporting and reconciliation process was completely revamped for the 2012 calendar year with the implementation of new accounting software. Under this system, Ledger postings are performed by a different employee than the bookkeeper. The bookkeeper reviews these postings for accuracy and prepares the monthly financial statement. Another office staff member then reconciles the bank statement to the bookkeeper's financial statement. After any necessary corrections, the financial statement is reviewed and signed by the Sheriff and presented to fiscal court with monthly excess fees. The lack of "segregation of duties" comment on sheriff's audits is the most used comment throughout the state for all counties, according to the state auditor's office. Minimal staffing levels that sheriff's offices have to work with causes these issues.

2011-02 The Sheriff Should Require The Petty Cash Fund Be Properly Reconciled

During testing of receipts, we noted payments from the fiscal court that were not on the fee account receipts ledger. These payments from fiscal court were reimbursements for payments made by the Sheriff's petty cash funds. The chief deputy maintains these funds. We asked if the chief deputy physically counts the cash and unreimbursed bills to reconcile the petty cash. He stated that he did. We attempted to trace the payments from fiscal court to the petty cash ledger but noted 3 payments from the fiscal court totaling \$919 that were not on the petty cash ledger. The chief deputy stated that he must have just not written them down. The petty cash fund would have had a variance if the funds had been counted and reconciled. A cash count revealed that the petty cash fund balance did not equal the \$5,000 balance that was to have been on hand. The Sheriff required all funds in excess of \$1,000 be deposited into the fee account the next day. We recommend the Sheriff require the petty cash fund be reconciled properly and reviewed by someone who does not maintain the petty cash funds.

MCCRACKEN COUNTY
JON HAYDEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2011
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES: (Continued)

2011-02 The Sheriff Should Require The Petty Cash Fund Be Properly Reconciled (Continued)

Sheriff's Response: The sheriff's office petty cash fund has been lowered to \$1,000 dollars due to the recommendation of the auditor's office. Monthly reconciliations of that account will be done by the office manager.

2011-03 Excess Fees Were Overpaid By \$26,216 For Calendar Year 2011 Due To Incorrect Bank Reconciliations

During testing of cash, we noted bank reconciliations for part of calendar year 2011 listed a bank deposit error of \$34,598 and a receivable of \$100,000 for funds loaned to the tax account. These reconciliation errors were created in the prior year. The \$34,598 was actually excess fees due from the 2008 fee audit that had never been paid. The receivable was deposited into the fee account during 2010. The net effect of these two errors caused excess fees to be overpaid by \$65,402 for calendar year 2010. The 2011 fee account had a shortage caused by the errors in the 2010 account. Various accrued receivables and liabilities were booked to try to correct the prior year shortage, however after audit adjustments were made to bring the fee account back to cash basis, excess fees were overpaid by \$26,216. We recommend the Sheriff obtain \$65,402 for the 2010 overpayment and \$26,216 for the 2011 overpayment from the fiscal court in order to balance the fee account.

Sheriff's Response: Overpayment of excess fees will be requested from the fiscal court, as recommended. The account will be properly balanced upon receipt of these funds.

STATE LAWS AND REGULATIONS:

2011-04 The Sheriff Should Make Deposits Daily

Audit testing revealed the Sheriff was not making daily deposits, but rather making deposits when a uniformed officer was available. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes making deposits on a timely basis which should be made once the sheriff has collected \$500 or at a minimum on a weekly basis. Additionally, the practice of making timely deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible misappropriation. We recommend that the deposits be made daily or at least when the official collects \$500 in receipts.

Sheriff's Response: All funds awaiting deposit are protected in a locked, fireproof vault until they are taken to the bank. It is the practice of our office for only uniformed officers to take deposits to the bank for security and safety reasons. However, there were some days in which officers were predisposed with other duties and deposits were left undeposited. This occurred only a minimal number of times, and it is common practice to make these daily.

MCCRACKEN COUNTY
JON HAYDEN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2011
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2011-05 The McCracken County Fiscal Court Failed To Set The Sheriff's Maximum Salary Order As
Required By KRS 64.530

During testing we noted that the McCracken County Fiscal Court (fiscal court) failed to set the required maximum salary order for the McCracken Sheriff (sheriff) as required by KRS 64.530. KRS.64.530 states "The fiscal court shall fix annually the reasonable maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy and assistant." We recommend the fiscal court fix annually the amount for salaries for the sheriff as prescribed by KRS 64.530.

Sheriff's Response: With the sheriff's office operating under a fee pooling system, the McCracken County Fiscal Court processes and approves all payroll expenses of the office. All Sheriff's office expenses are in the fiscal court budget which is voted on and approved. The court further approves all new hires and the salary of each deputy and assistant, by a vote during open and public fiscal court meetings. The sheriff's salary is no different, though set on the state level, but is voted on and approved by the McCracken County Fiscal Court in open, public meetings. In order to comply with this recommendation, we will have an official order read and approved by fiscal court that meets the requirements of KRS 64.530.

